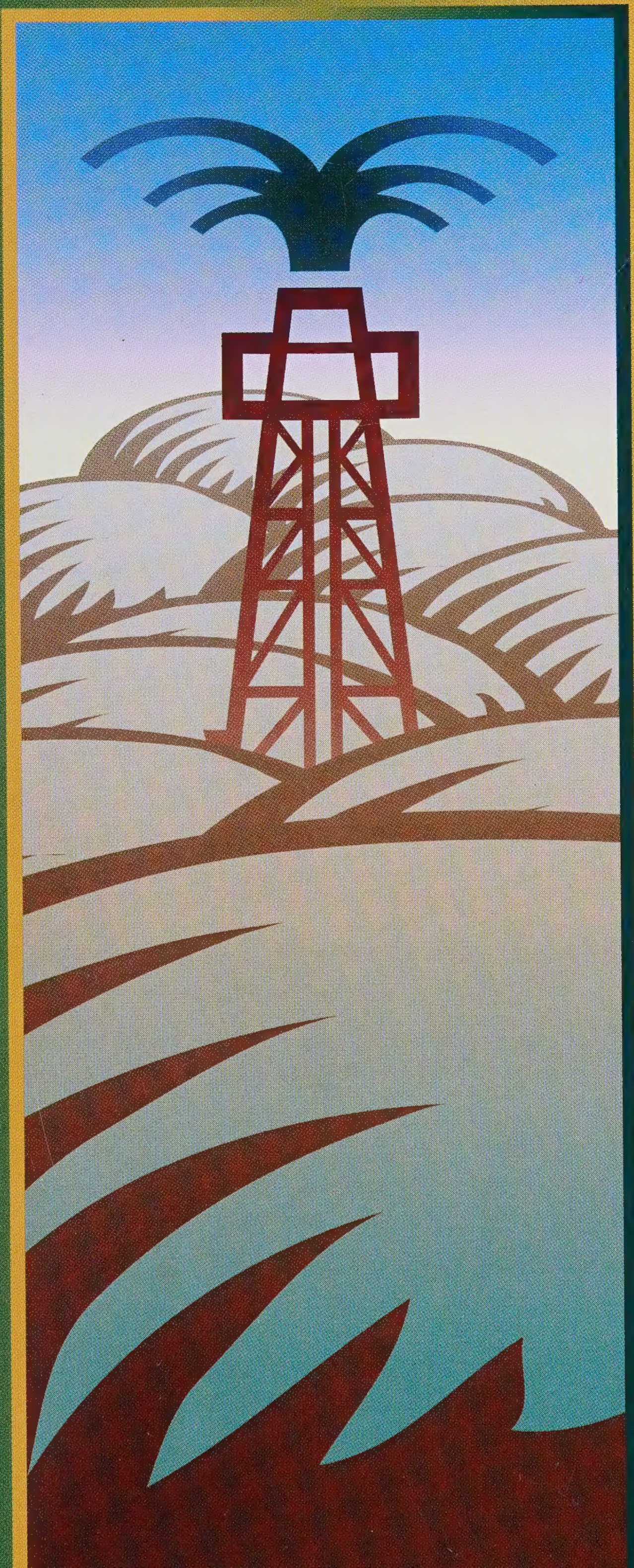
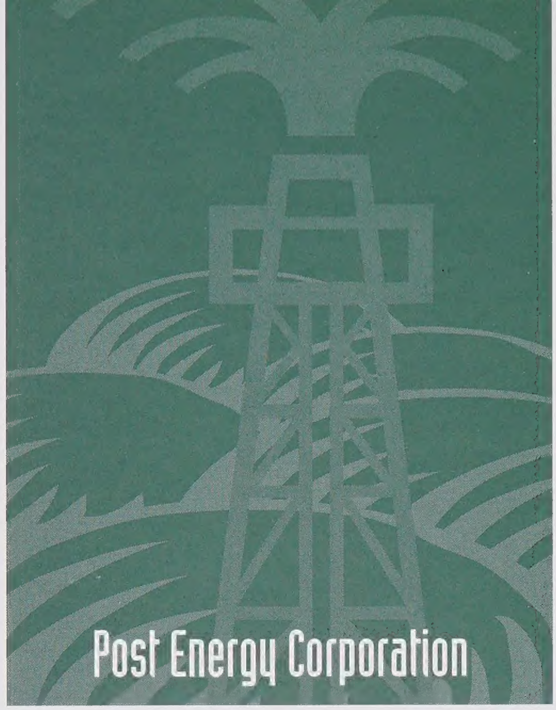


POST ENERGY CORPORATION

1994
ANNUAL
REPORT



Annual Meeting

Shareholders are cordially invited to attend the Company's Annual Meeting which will be held on Wednesday June 7, 1995, at 3:00 p.m., in the Conference Room on the Mezzanine Level (2nd floor) of the Altius Building located at 500 - 4th Avenue S.W., Calgary, Alberta. If unable to attend, shareholders are requested to complete and return the Proxy form to the Company's registrar and transfer agent, Montreal Trust Company of Canada.

Contents

Abbreviations used in this annual report

ARTC	Alberta Royalty Tax Credit
Bbl	Barrel of oil
Bpd	Barrel of oil per day
Mbbl	Thousand barrels of oil
Mbbl/d	Thousand barrels of oil per day
Boe	barrel of oil equivalent
Boe/d	Barrel of oil equivalent per day
Mcf	Thousand cubic feet of natural gas
Mcf/d	Thousand cubic feet of natural gas per day
Mmcf	Million cubic feet of natural gas
Mmcf/d	Million cubic feet of natural gas per day
WTI	West Texas Intermediate

Units of natural gas have been converted into barrel of oil equivalents at a ratio of ten thousand cubic feet of gas to one barrel of oil.

Well Symbols

- ■ Post Land
- ○ Location
- ● Oil Well
- Suspended Oil
- Abandoned Oil
- Suspended
- Service
- Injection
- Gas
- Oil & Gas
- Suspended Gas
- Abandoned Gas
- Suspended Oil & Gas
- Abandoned Oil & Gas
- Dry & Abandoned
- Abandoned Service
- Gas Injection

Corporate Highlights

	1994	1993	% Change	1992
Financial ($000's except per share amounts)				
Revenue	**1,779**	408	336 %	103
Cash flow	**962**	46	2000 %	(10)
Per share (basic)	**0.12**	0.01	1100 %	–
Per share (fully diluted)	**0.11**	0.01	1000 %	–
Net earnings	**376**	6	6000 %	(13)
Per share (basic)	**0.05**	–	–	–
Per share (fully diluted)	**0.04**	–	–	–
Capital expenditures	**4,548**	1,327	243 %	471
Shareholders' equity	**5,328**	2,781	92 %	(12)
Total assets	**6,415**	5,281	21 %	2,235
Year end market capitalization	**21,022**	6,725	213 %	–
Net asset value per share (discounted at 15 % pre-tax)				
Basic	**2.37**	2.26	5 %	0.69
Fully diluted	**2.34**	1.77	32 %	0.71
Common shares outstanding at year end				
Basic	**9,343**	6,405	46 %	3,000
Fully diluted	**9,562**	9,523	–	5,791
Production				
Oil				
Bbl	**57,881**	17,143	238 %	985
Bpd	**159**	47	238 %	3
Natural gas				
Mcf	**285,299**	–	–	–
Mcf/d	**782**	–	–	–
Barrels of oil equivalent				
Boe	**86,411**	17,143	404 %	985
Boe/d	**237**	47	404 %	3
Average selling prices				
Oil per Bbl	**20.50**	18.50	11 %	26.41
Gas per Mcf	**1.80**	–	–	–
Average netback per Boe	**12.45**	4.73	163 %	1.64
Reserves (proven plus probable)				
Mbbl of oil	**3,388**	1,061	219 %	406
Mmcf of natural gas	**12,337**	10,484	18 %	–
Mboe	**4,622**	2,109	119 %	406
Present value ($000's) discounted at 15 % pre-tax	**22,500**	13,455	67 %	2,564

President's Message

Post Energy Corporation experienced dramatic growth in 1994, beginning the year as a joint venture partner with Post Petroleum Ltd. and ending the year as a full-fledged junior producer. The amalgamation not only consolidated the operations of two companies into a more efficient company, it created an entity that now has the critical mass for continued growth. A cautious and controlled investment philosophy is necessary for a new company to build an asset base capable of supporting the management team necessary for further growth. Post now has the assets and an experienced management team and can begin a more aggressive investment philosophy to enhance shareholder value.

Strengths and Philosophy

1994 was a year of management development and asset realization for Post. Together, the management and staff of Post tackled some of the most difficult projects the industry has to offer. The only way a company of this size can succeed with these types of projects is with qualified and dedicated people. The single greatest asset the Company has is its people. The Post team found and developed reserves which make it one of the most successful junior oil and gas companies in Alberta today. In just two and one half years, Post has turned five million dollars of shareholders' equity into over twenty two million dollars of oil and gas assets.

With finding and on-stream costs consistently lower than the industry average, Post looks forward to greater growth with increased spending. Post's assets are very focused geographically, with ninety five percent of our production coming from within 80 kilometers of the City of Edmonton. The area provides close and efficient access to the oilfield service industry and is also attractive from an operation supervision stand point. Post has a company employee located in the Edmonton area responsible for overseeing operations of all company wells. This constant attention to our assets promotes efficient and steady production. Continued acquisitions, exploration and development are

planned in our existing areas to take advantage of the Company's facilities, field staff, and geological and engineering experience. This allows Post to develop medium to low risk multi-zone oil and gas prospects at reduced cost. Post's exploration staff generates virtually every prospect it is involved in and the Company will continue to operate every play it drills. With this philosophy the Company's future growth is firmly in its own control.

1994 in Review

Post made advances in its development, operations and corporate areas during 1994. Development efforts in the Redwater and Pembina areas resulted in increased production and drilling results indicate further development drilling potential in these areas. Development in the Camao area resulted in two oil wells and one dry hole.

Operationally, a number of philosophical goals were met. Post operated 100% of all production and drilling for the year. Netbacks on oil and gas production increased by 163% as a result of development drilling in existing areas where only marginal economic production existed. From a production perspective, highlights include:

- Oil production increased 238% to average 159 barrels of oil per day.
- Installation of an oil battery in the Redwater area reduced operating costs.
- Modification of an existing oil battery and tie-in of gas in the Golden Spike area was completed. This consisted of careful planning of flowline construction through residential acreages and design and construction of an odor-free battery to reduce the impact on area residents.
- Construction of a gas gathering system in the Camao area.
- Upgrading of the Pembina oil battery to add capacity for increased fluid production.

Three corporate transitions were made in 1994. Post Petroleum Ltd. converted its debenture into common shares with debenture holders realizing a 250% return on their investment over two years. The 1993 creation of Post Energy Corporation enabled Post, in 1994, to attract and financially support a management team of experienced professionals who will be the building blocks of the Company in the future. Finally, the amalgamation of the companies was approved by shareholders of both companies on December 29, 1994. The public company side of Post increased its assets by 270%, while common shares outstanding increased by only 232%. The combined entity is now a well financed exploration and development company.

Outlook for 1995

As Post enters 1995, the Company sees the industry consolidating into profitable, well managed companies. With the massive influx of capital that infiltrated the industry in 1993, drilling and production costs increased significantly and the quality of prospects suffered due to high demand. Unfortunately, there will be companies that did not invest their funds wisely resulting in poor economic performance. These companies will likely be absorbed by the healthier companies. Post has been able to maintain its success and growth during this period and looks forward to opportunities of this kind. This year the industry is expected to be less active resulting in the drilling of better prospects at reduced costs.

For 1995, Post has a record capital budget of $7 million, an increase of 54% from actual 1994 expenditures. This budget will be funded through cash flow and bank debt. It is anticipated that Post will drill as many as 15 wells, at an average working interest of 90%. The number of wells could decrease should development in the Pembina area be with horizontal wells.

Post's current production is 850 Boe/d and management estimates that an additional 250 Boe/d will be on stream by mid year. This additional production is awaiting facility modifications necessary to accept these volumes.

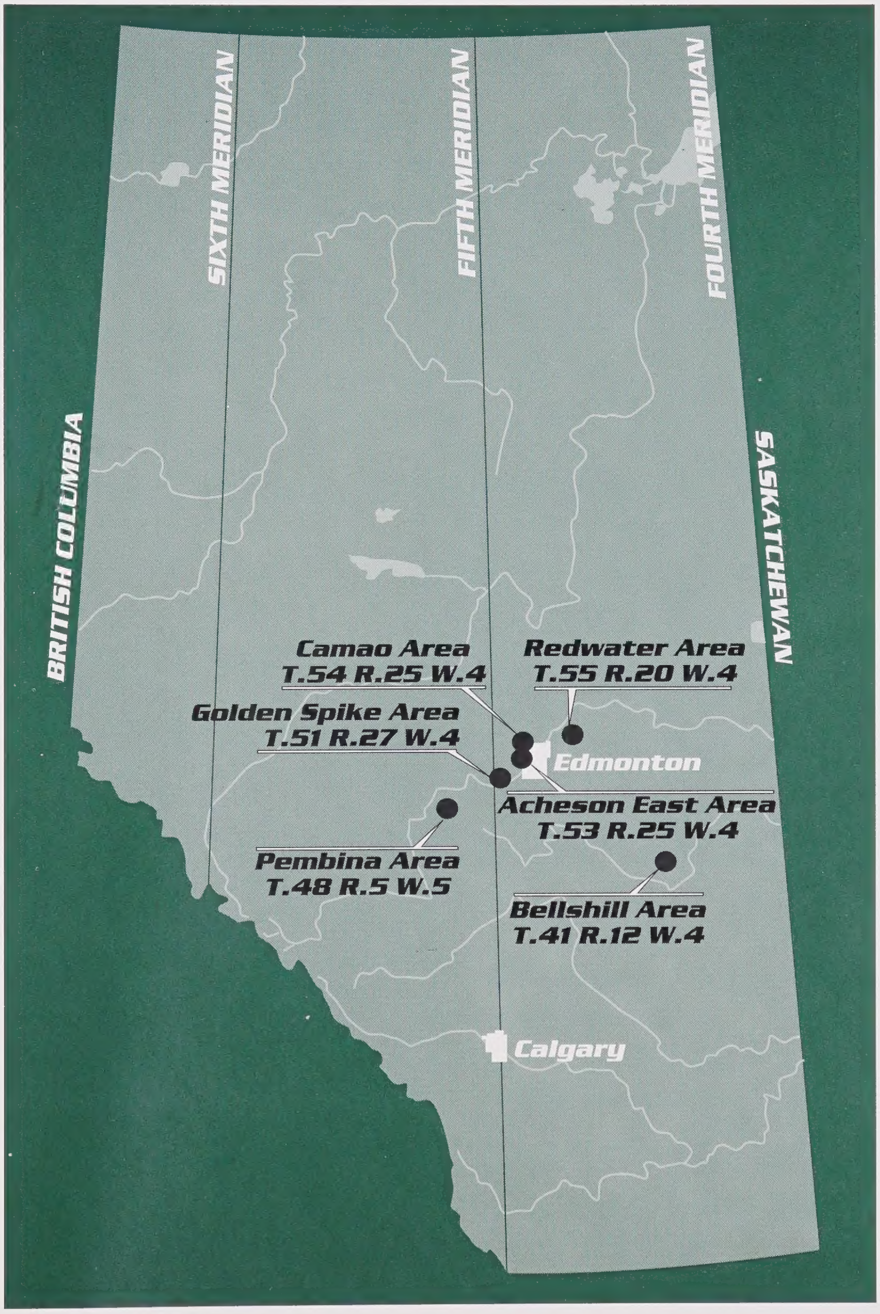
Post's management is committed to increasing shareholder value. The Company is thankful for the support it has experienced in the past, from the people it works with in the field to the people that invest in its shares.

Timothy T. Hunt
President and Chief Executive Officer

March 24, 1995
Calgary, Alberta

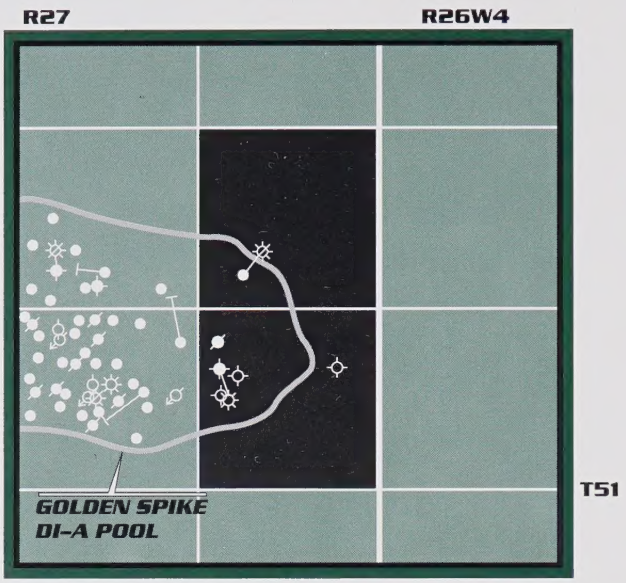
Exploration and Operations

It was a year of development drilling and facility construction for Post. Facility upgrades in the Golden Spike and Camao areas and a new battery constructed in the Redwater area now provide Post with infrastructure to optimize operating costs and to further exploit oil and gas reserves in these areas with the advantage of reduced on-stream costs. Development drilling in Redwater and Pembina proved that opportunities exist for increased oil recovery in both these areas. This will provide Post with future low risk development in our existing pools and the cash flow for new acquisitions and exploration in our core areas. Ninety-five percent of Post's production comes from within 80 kilometres of the City of Edmonton which gives Post the ability to operate efficiently and economically.



Golden Spike:

The Golden Spike area is located approximately 15 kilometres southwest of the City of Edmonton. The wells are located in an area of residential acreage development requiring close monitoring of day to day operations. In 1994, Post purchased a 65% working interest in 640 acres of land increasing its working interest to 82.5% in two suspended oil wells. These two wells, in addition to four 100% working interest wells, increased Post's average interest in this area to 94%. Post also re-completed an existing oilwell in two upper zones that resulted in combined productivity of 2.2 Mmcf/d of gas and 55 Bpd of oil.

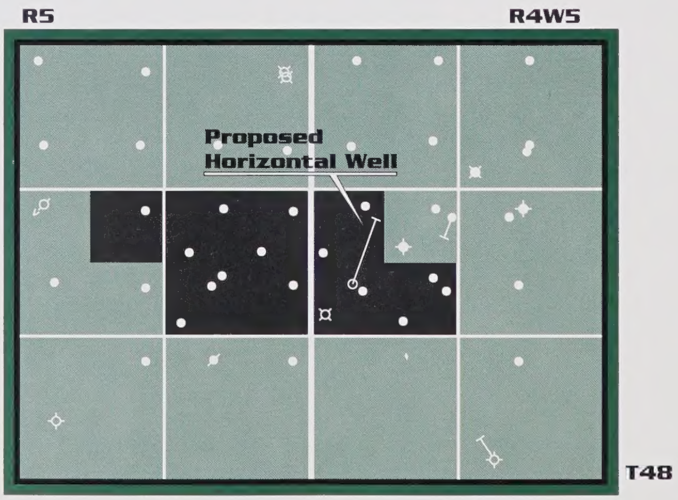


Post modified an existing battery and tied the battery into the Industrial Gas System to begin selling associated and non-associated gas in October 1994. Start up of the third party Golden Spike sour gas plant was delayed due to minor design problems. The sulphur recovery process used at the plant is new to Canada and adjustments to adapt the process to this area were necessary. The plant was not able to accept Post gas at any significant level until March 1995. The plant operated at approximately 50% capacity for the month of March and at present is accepting gas at capacity. Current production is from only four of the six wells and is 5.1 (net) Mmcf/d of gas and 56 (net) Bpd of oil. Further development in this area will be evaluated after obtaining production history on the existing wells.

Pembina:

The Pembina property is located approximately 80 kilometres southwest of the City of Edmonton. Post acquired a 100% working interest in the Belly River "AA" Unit consisting of four producing oil wells and an oil battery. Production from the property was approximately 40 Bpd of 25 degree API sweet oil.

In the last quarter of 1994, Post drilled two vertical infill wells increasing production to 95 Bpd of oil by year end. Post drilled these wells to confirm that

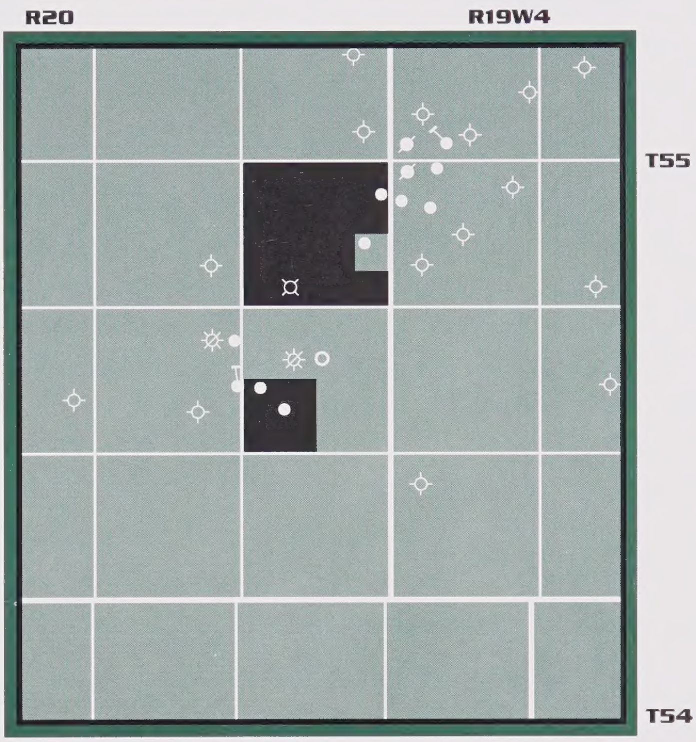


bypassed reserves existed and to obtain current reservoir data to evaluate the potential for horizontal development of this pool. Reservoir data obtained from the new wells indicate that the productivity of the vertical wells is limited by the gravity of the oil. With the use of a horizontal well simulator, Post matched the historical performance of the vertical wells using the reservoir parameters collected from the new wells. The simulator's prediction for vertical wells was consistent with the initial production obtained from the two new wells. The predicted horizontal well performance from the simulator was very favourable and Post has since proceeded with plans for a horizontal test well.

Since year end Post has acquired an additional 68% working interest in an adjoining 320 acres of land that should have similar potential for development as the Unit. With existing facilities on this property, Post feels that development of this property through vertical wells is economic and will provide Post with long life, low decline oil production. Should horizontal well development be successful, the characteristics of this property could quickly change to high productivity, medium life oil production.

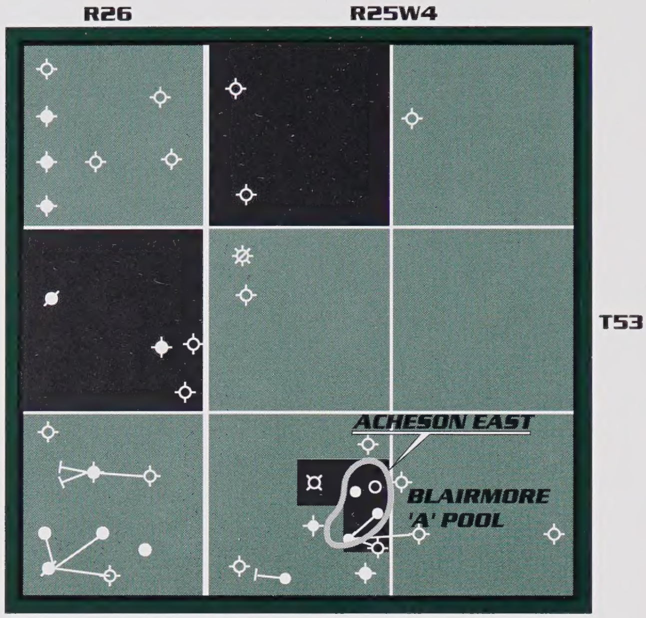
Redwater:

The Redwater area has also proven to be an area where Post's exploitation expertise has been successfully applied. Post drilled an infill well into an existing Lower Mannville pool in January 1994, and the well has experienced little decline since being put on production. Post has a 50% working interest in the well. In the last quarter of 1994, Post farmed-in on an adjoining section of land and drilled two wells resulting in one oil well and one service well. Current production from this area is 105 Bpd (net 54 Bpd) of light gravity sweet oil.



Acheson:

Post's Acheson property is located on the west side of the City of Edmonton. This property is a Blairmore light oil pool that has not been thoroughly exploited to obtain maximum recovery. In 1993, Post drilled an infill well to prove undrained oil reserves existed. The well came on production in July 1993 and has experienced no decline to date. Current production from the property is 42 Bpd of light gravity oil. Two additional infill locations are planned for 1995, with one of them being a horizontal re-entry.



Other Properties:

Post has producing properties in both the Camao and Bellshill areas. At Camao Post drilled two oil wells and one dry hole in an attempt to infill drill and extend the Blairmore "A" pool to the North. The two oil wells were tied in to an existing battery and the solution gas tied in to the Industrial Gas System. The wells came on stream in July 1994 and current production is 1.6 Mmcf/d (net 750 Mmcf/d) of natural gas and 12 Bpd (net 8 Bpd) of light gravity oil. In the Bellshill area the Cameron oil well continues to produce with little decline, and in 1994 Post began to sell solution gas on the spot market. Post also sold a suspended wellbore and part of a pipeline in this area. In the first quarter of 1995, Post drilled a 3D seismic anomaly for Dina oil that was dry and abandoned.

Drilling Activity

Post participated in drilling eight development wells (net 6.1) in 1994 with an average working interest of 76% and an overall success rate of 90%. In 1995, Post plans to engage in drilling both exploration and development wells. This allows Post to continue development of existing reserves as well as benefiting from potential exploration success.

	1994		1993	
	Gross	**Net**	Gross	Net
Oil	**6.0**	**5.0**	1.0	1.0
Gas	–	–	2.0	2.0
Service	**1.0**	**0.5**	–	–
Dry and abandoned	**1.0**	**0.6**	–	–
Total wells drilled	**8.0**	**6.1**	3.0	3.0
Exploration	–	–	2.0	2.0
Development	**8.0**	**6.1**	1.0	1.0
Total wells drilled	**8.0**	**6.1**	3.0	3.0
Success rate		**90%**		100%
Average working interest		**76%**		100%

Reconciliation of Reserves

Post increased its oil reserves by 219% and natural gas reserves by 18% in 1994. Additional oil reserves were derived from a combination of drilling and acquisitions in the Pembina, Camao, and Redwater areas. Gas reserves increased as a result of drilling at Camao.

	Oil (Mbbl)			Gas (Mmcf)		
	Proven	Probable	Total	Proven	Probable	Total
January 1, 1994	721	340	1,061	6,617	3,867	10,484
Discoveries	1,480	905	2,385	1,291	847	2,138
Production	(58)	–	(58)	(285)	–	(285)
December 31, 1994	2,143	1,245	3,388	7,623	4,714	12,337

Reserves

Post's oil and natural gas reserves were evaluated by Sproule Associates Limited on October 1, 1994 and management has updated the reserves for additions to December 31, 1994. The present value of future cash flows discounted at 15% pre-tax was $22,500,000, an increase of 67% from 1993. The increase is attributable to reserve additions at Pembina, Camao and Redwater which is offset somewhat by a reduction in gas pricing of approximately 40%.

Reserve Evaluation Based on Escalating Price Assumptions

	Reserves before Royalty Burdens		Present Value Before Tax of Future Cash Flow ($000's)		
	Oil (Mbbl)	Gas (Mmcf)	10%	15%	20%
Proven producing	553	700	5,943	5,000	4,335
Proven developed non-producing	273	6,650	5,430	4,715	4,190
Proven undeveloped	1,317	273	8,553	6,500	5,007
Total proven	2,143	7,623	19,926	16,215	13,532
Probable	1,245	4,714	6,554	4,785	3,667
Total proven plus probable	3,388	12,337	26,480	21,000	17,199
ARTC			1,680	1,500	1,350
Total			28,160	22,500	18,549

Certain assumptions were made in the reserve evaluation as follows:

1) The following price forecast was used:

	Crude Oil WTI at Cushing, Oklahoma ($US/Bbl)	Natural Gas ($Cdn/Mcf)
1995	18.00	1.25
1996	18.86	1.35
1997	19.77	1.47
1998	20.71	1.60
1999	21.71	1.73
2000	22.75	1.85
2001	23.84	2.00
Thereafter	Escalation rate of 4.75% to year 2020 and 3.5% thereafter.	

2) Probable reserve values have been reduced by 50% to allow for risk.

3) Future operating and capital costs were inflated at 3.5% per year.

Finding and On Stream Costs

Capital expenditures for finding and on stream costs were $4,500,596 in 1994 compared to $1,319,687 in 1993 resulting in finding and on stream costs of $2.19 and $1.21, respectively, per Boe for proven plus probable reserve additions.

Petroleum and Natural Gas Property Expenditures

	1994	1993
Finding costs		
Land and acquisition	$ 1,452,292	$ 375,578
Seismic	81,882	46,067
Drilling and completion	1,272,730	679,972
Capitalized general and administrative	74,346	–
	2,881,250	1,101,617
On Stream Costs		
Equipping	749,814	218,070
Facilities and gathering	869,532	–
	1,619,346	218,070
Total finding and on stream costs	$ 4,500,596	$ 1,319,687
Total proven plus probable reserve additions (Mboe)	2,512	1,674
Finding and On Stream Costs per Boe		
Finding costs	$ 1.15	$ 0.65
On stream costs	1.04	0.56
Total finding and on stream costs per Boe	$ 2.19	$ 1.21

Reserve Life Index

Post's reserve life index based on 1994 production is 34 years for proven reserves and 53 years for proven plus probable reserves. The index is high given that Golden Spike is included in the reserves but not in the production. The reserve life index based on current production at the time of writing is 8.7 years for proven reserves and 13.9 years for proven plus probable reserves.

	1994	1993
Based on proven reserves	34	81
Based on proven plus probable reserves	53	123

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is management's opinion of the Company's historical and operating results and should be read in conjunction with the audited financial statements of the Company for the years ended December 31, 1994 and 1993.

Overview

Post Energy Corporation is the result of the amalgamation of Post Energy Corporation ('Energy') and Post Petroleum Ltd. ('Petroleum') effective December 31, 1994. Petroleum was a private company, incorporated in February 1992, which issued a $2,000,000 convertible debenture to fund its exploration and development program. Mid-way into the program, management of Petroleum played an integral role in creating Energy which completed a financing by an Exchange Offering Prospectus in September 1993 to raise $3,000,000. The companies entered into participation agreements and reciprocal participation agreements whereby Energy and Petroleum would participate 80% / 20%, respectively, in all future acquisition and drilling prospects. In addition, Petroleum provided management services to administer the day to day affairs of Energy pursuant to a management agreement. On November 16, 1994, Petroleum made an offer to Energy to amalgamate the two companies on the basis of three amalgamated company shares for every one share of Petroleum and one amalgamated company share for every Energy share. The amalgamation was approved by the shareholders and completed by year end. The following discussion and analysis comprise Energy and Petroleum combined as if they were one entity.

The following table highlights the Company's net earnings and cash flow from operations on a comparative basis.

	1994	1993	% Change
Net earnings	$ 375,506	$ 6,155	6000%
– per share basic ($)	0.05	–	–
– per share fully diluted ($)	0.04	–	–
Cash flow from operations	$ 962,081	$ 45,732	2000%
– per share basic ($)	0.12	0.01	1100%
– per share fully diluted ($)	0.11	0.01	1000%
Total capital expenditures	$ 4,548,309	$ 1,326,607	243%

The year ended December 31, 1994, marked a year of accomplishments and growth for Post. Not only was the amalgamation completed but the success of Petroleum's exploration and development program resulted in all the debenture holders converting their debenture units into common shares of Petroleum by May 31, 1994. Post's net earnings and cash flow have increased significantly in its third year of operations. Capital expenditures in 1994 represented the Company's largest exploration and development program ever, contributing to a year end reserve value of $22,500,000 discounted at 15% pre-tax.

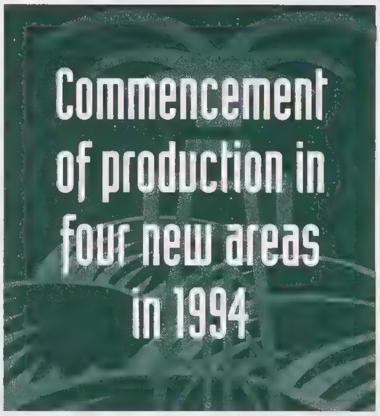
Net Revenue

Oil and gas sales increased 434% to $1,650,782 for the year ended December 31, 1994, from $309,303 in 1993. The increase is the result of four new areas coming on-stream in 1994 as well as an increase of 11% in the average oil price received in 1994.

The following table summarizes the Company's net revenue on a comparative basis.

	1994		1993	
	$	**$/Boe**	$	$/Boe
Oil sales	**1,138,175**		309,303	
Gas sales	**512,607**		–	
	1,650,782	**19.66**	309,303	18.50
Royalties (net of ARTC)	**(94,009)**	**(1.09)**	(13,445)	(0.78)
Operating expenses	**(528,611)**	**(6.12)**	(222,629)	(12.99)
	1,028,162	**12.45**	73,229	4.73

For the year ended December 31, 1994, oil production averaged 159 Bpd compared to 47 Bpd in 1993. During 1993 production was derived from two wells in the Acheson area and two wells acquired at Bellshill. Higher production in 1994 is attributable to commencement of production in four new areas being Golden Spike, Pembina, Redwater, and Camao which was offset by a sale of a Bellshill well which management evaluated and determined was uneconomic to produce. During 1994, one of the major properties, Golden Spike, was developed, tied in and capable of producing 5,500 Mcf/d and 150 Bpd by October 1994 to coincide with the start up date of a third party gas plant. Process design problems at the gas plant delayed production at Golden Spike until March 1995, resulting in only nominal revenue being derived from this area in 1994.



Crude oil prices per barrel averaged $20.50 in 1994 and $18.50 in 1993. Post did not enter into any oil price hedges in 1994. However, management is continuously evaluating the merits of oil price hedging and will do so in the future under appropriate circumstances.

Gas production commenced in 1994 from Camao, a well drilled in Bellshill and modest production at Golden Spike. The average natural gas price in 1994 was $1.80 per Mcf. Post has contracted all of its gas production at Golden Spike and Camao at a price which is calculated based on a formula referencing the average monthly WGML common contract price and the AECO-C daily spot gas price as defined in the gas purchase contract.

Royalties, net of ARTC, increased to $94,009 in 1994 from $13,445 in 1993. The increase was primarily due to higher oil and gas production experienced in 1994. The royalty cost per Boe increased in 1994 to $1.09 from $0.78 in 1993 as certain wells on crown lands qualified for the Alberta royalty holiday program in 1993 which subsequently expired during 1994. The ARTC averaged 76% in 1994 and 72% in 1993 of eligible Alberta crown royalty paid.

In 1995 the Alberta government implemented changes to the ARTC program with regard to a reduction in the maximum amount of crown royalty eligible for ARTC and changes to the rate structure. These changes will not significantly affect Post in the near future as it will be below this maximum limit.

Operating expenses increased to $528,611 in 1994 compared to $222,629 in 1993 as a result of higher production. Operating costs per Boe decreased from $12.99 in 1993 to $6.12 in 1994. In 1993 operating costs per Boe were unusually high reflecting high fixed costs associated with some low productivity areas. As Post further developed these areas and improved productivity in 1994 the cost per Boe declined.

In 1995 management anticipates operating costs to be below $5.00 per Boe as a result of development drilling in Pembina, Acheson and Redwater where facilities are currently in place to absorb additional production at a low cost.

Interest and Other Revenue

Interest and other revenue includes income earned from investment of the unexpended portion of the debenture proceeds and funds received from the initial public offering and royalties earned in the Acheson and Provost areas.

The following table summarizes the Company's interest and other revenue on a comparative basis.

	1994		1993	
	$	**$/Boe**	$	$/Boe
Interest	**174,329**	**2.02**	104,351	6.09
Royalty	**48,251**	**0.56**	7,851	0.46
	222,580	**2.58**	112,202	6.55

General and Administrative Expenses

The following table summarizes the general and administrative expenses of the Company on a comparative basis.

	1994		1993	
	$	**$/Boe**	$	$/Boe
Total general and administrative	**448,661**	**5.19**	139,699	8.15
Capitalized geological and geophysical costs	**(74,346)**	**(0.86)**	–	–
Capital overhead recovery	**(72,760)**	**(0.84)**	–	–
Operating overhead recovery	**(12,894)**	**(0.15)**	–	–
	288,661	**3.34**	139,699	8.15

General and administrative expenses before overhead recoveries and capitalized costs in 1994 were $448,661 compared to $139,699 in 1993. Increased costs in 1994 reflect an increase in staff from one, in the beginning of 1993, to six at the end of 1994 as well as costs associated with increased office space, supplies, utilities, public company expenses and bank fees associated with establishing the Company's operating line. Costs decreased on a per Boe basis to $3.34 in 1994 from $8.15 in 1993 as a result of increased production. General and administrative costs per Boe are expected to decrease below $2.50 in 1995 as production will increase while the Company already has most of the people in place to grow into 1995.

Operating and capital overhead recoveries were earned for the first time in 1994 primarily due to Post operating properties which had outside partners. Post capitalized geological and geophysical costs for the first time in 1994 as part of their capitalization policy under full cost accounting. In prior years these costs were not significant.

Depletion and Depreciation

The following table summarizes depletion and depreciation of the Company on a comparative basis.

	1994		1993	
	$	**$/Boe**	$	$/Boe
Depletion and depreciation	**359,934**	**4.17**	37,022	2.16
Site restoration and abandonment costs	**22,653**	**0.26**	2,555	0.15
	382,587	**4.43**	39,577	2.31

Post's average depletion rate increased to 3% in 1994 from 1% in 1993. The provision for depletion and depreciation increased to $359,934 from $37,022 in 1993, primarily due to an increase in capital costs. The low depletion rate is caused by an increase in reserves in 1994 without a corresponding increase in production relating to the Golden Spike area.

The provision for future site restoration and abandonment of wells and facilities increased to $22,653 in 1994 from $2,555 in 1993 due to an increase in the number of wells and facilities which Post had an interest in. Post had four producing wells in 1993 and 22 in 1994.

The Company applied a ceiling test to their properties and equipment under the full cost method of accounting for oil and gas assets to ensure those costs do not exceed the estimated future net revenues from the production of proven reserves. The ceiling test was based on year end prices for oil and gas of $20.73 per barrel and $1.48 per thousand cubic feet, respectively. Post did not experience an impairment in its capitalized costs at year end based on this calculation.

Deferred Income Taxes

The Company did not pay current income taxes or federal large corporations tax in 1994 or 1993. Deferred income taxes of $203,988 were recorded for the first time in 1994. In 1995 the Company will pay the federal large corporations tax but does not anticipate paying any current income taxes.

Capital Expenditures

The following table summarizes the capital expenditures incurred by the Company on a comparative basis.

	1994	1993
Land and acquisition	**$ 1,452,292**	$ 375,578
Seismic	**81,882**	46,067
Intangible drilling and completion	**1,272,730**	679,972
Tangible completion, equipping and facilities	**1,619,346**	218,070
Capitalized general and administrative	**74,346**	–
Furniture, fixtures and other	**47,713**	6,920
	$ 4,548,309	$ 1,326,607

Post's capital expenditure program has been concentrated in the Golden Spike, Acheson, Camao, Pembina and Redwater areas whereby revenues have been realized in each area except Golden Spike. Post has expended $1,761,285 in the Golden Spike area for property acquisitions, drilling, equipping, gathering systems and an oil battery. Production from this area commenced in March, 1995.

Net Asset Value per Share

The Company's net asset value per fully diluted common share increased 32% in 1994 reflecting management's commitment to creating value for the Company's shareholders.

	1994	1993
Reserve value discounted at 15% pre-tax	**$ 22,500,000**	$ 13,455,000
Working capital (deficiency) surplus	**(396,434)**	3,024,898
Proceeds from the exercise of options	**287,875**	331,372
	$ 22,391,441	$ 16,811,270
Common shares at December 31, 1994 - fully diluted	**9,562,200**	9,523,200
Net Asset Value per Share	**$ 2.34**	$1.77

Liquidity and Capital Resources

Initially, Post obtained funding through the use of a convertible debenture in 1992 with conversion of the debenture units occurring in May 1994. Post also completed its initial public offering in November 1993 to raise $3,000,000.

On September 19, 1994, Post obtained a revolving production loan facility in the amount of $750,000 at an interest rate of prime plus one and one half of one percent (1.5%) to support its exploration and development program. As at December 31, 1994, this loan facility was not utilized.

In March 1995 Post replaced the above production loan facility with a $5,000,000 revolving production loan facility at an interest rate of prime plus one half of one percent (0.5%). Management's policy with regard to debt financing is to remain within one and one half times annual cash flow.

The exploration and development program is budgeted to be $7,000,000 in 1995 and will be financed by cash flow and the revolving production loan. The following table outlines the sensitivity of estimated cash flow from operations to changes in certain factors.

	($000's)	$/Share
100 barrels of oil per day in production	525	0.05
1000 thousand cubic meters of gas per day in production	260	0.03
$1.00/Bbl change in Canadian oil price	250	0.03
$0.10/Mcf change in gas price	160	0.02
$0.01 change in U.S./Canadian dollar exchange rate	40	–

Business Risks and Prospects

Post is exposed to a variety of business risks in the Canadian petroleum industry, including the following:

- every well drilled has the inherent risk of not yielding commercial quantities of hydrocarbons;
- there is the uncertainty of recovering reserves in a timely and economically viable basis;
- there is the uncertainty associated with the availability of a market to sell oil and natural gas production;
- the volatility of oil and gas prices, affected by economic factors beyond the Company's control, exposes Post's cash flow;
- the risk associated with the nature of capital markets, interest rates and foreign exchange differentials exposes Post's profitability;
- the risk associated with the increasing level of regulatory intervention ranging from income taxes and royalty burdens to industry operating practices and environmental preservation.

Management of the Company minimizes these business risks as follows:

- employing a highly qualified staff of professionals;
- ensuring rigorous geological, geophysical and engineering analysis on each new prospect;
- managing prospects with a healthy combination of exploration and development plays;
- striving to be a competitive low cost producer;
- employing experienced operations personnel highly efficient in optimizing reservoir recovery;
- utilizing commodity swaps, foreign exchange contracts and interest rate swaps to minimize financial and price risks;
- maintaining a strong and flexible financial position with a conservative approach to debt financing;
- maintaining environmental and safety operations procedures.

AUDITORS' REPORT

To the Shareholders of **Post Energy Corporation:**

We have audited the balance sheets of **Post Energy Corporation** as at December 31, 1994 and 1993 and the statements of earnings and retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and 1993 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Calgary, Alberta
March 10, 1995

Deloitte & Touche
Chartered Accountants

Statements of Earnings and Retained Earnings

For The Years Ended December 31, 1994 and 1993

	1994 $	1993 $
Revenue		
Oil and gas sales	**1,650,782**	309,303
Royalties (net of Alberta Royalty Tax Credit)	**(94,009)**	(13,445)
	1,556,773	295,858
Interest and other	**222,580**	112,202
	1,779,353	408,060
Expenses		
Operating	**528,611**	222,629
General and administration	**288,661**	139,699
Depletion and depreciation	**382,587**	39,577
	1,199,859	401,905
Earnings before income taxes	**579,494**	6,155
Deferred income taxes (Note 6)	**203,988**	–
NET EARNINGS	**375,506**	6,155
Deficit, beginning of year	**(6,681)**	(12,836)
Retained earnings (deficit), end of year	**368,825**	(6,681)
Earnings per share (Note 8)		
Basic	**0.05**	–
Fully diluted	**0.04**	–

Balance Sheets

As At December 31, 1994 and 1993

	1994 $	1993 $
ASSETS		
Current assets		
Cash and short-term investments	**116,695**	3,319,316
Accounts receivable	**463,138**	195,421
Prepaid expenses	**40,664**	7,970
	620,497	3,522,707
Property and equipment (Note 3)	**5,794,713**	1,758,338
	6,415,210	5,281,045
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**1,016,931**	497,809
Debentures payable (Note 4)	–	2,000,000
Provision for future site restoration and abandonment costs	**25,306**	2,653
Deferred income taxes	**45,004**	–
	1,087,241	2,500,462
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	**4,959,144**	2,787,264
Retained earnings (deficit)	**368,825**	(6,681)
	5,794,713	2,780,583
	6,415,210	5,281,045

APPROVED BY THE BOARD

Timothy T. Hunt
Director

Brian D. Heald
Director

Statements of Changes in Financial Position

For The Years Ended December 31, 1994 and 1993

	1994 $	1993 $
Net inflow (outflow) of cash related to the following activities:		
Operating activities		
Net earnings	375,506	6,155
Items not affecting cash		
Depletion and depreciation	382,587	39,577
Deferred income taxes	203,988	–
Cash flow from operations	962,081	45,732
Changes in non-cash operating working capital	(255,595)	(19,462)
Cash generated from operating activities	706,486	26,270
Financing activities		
Retirement of debentures on conversion	(2,000,000)	–
Issue of shares on debenture conversion, net of costs	1,988,868	–
Proceeds from issue of shares, net of costs	24,027	2,786,264
Changes in non-cash working capital	24,991	58,144
Cash generated from financing activities	37,886	2,844,408
Investing activities		
Additions to property and equipment	(4,548,309)	(1,326,607)
Proceeds from sale of oil and gas property and equipment	152,000	–
Changes in non-cash working capital	449,316	36,301
Cash used in investing activities	(3,946,993)	(1,290,306)
(Decrease) increase in cash and short-term investments	(3,202,621)	1,580,372
Cash and short-term investments, beginning of year	3,319,316	1,738,944
Cash and short-term investments, end of year	116,695	3,319,316
Cash flow per share (Note 8)		
Basic	0.12	0.01
Fully diluted	0.11	0.01
Represented by:		
Cash	116,695	244,415
Short-term investments	–	3,074,901
	116,695	3,319,316

1. AMALGAMATION AND BASIS OF PRESENTATION

Effective on December 31, 1994, Post Energy Corporation ("Energy") and Post Petroleum Ltd. ("Petroleum") amalgamated. The amalgamated company is continuing under the name Post Energy Corporation. The amalgamated company's common shares were issued to Energy shareholders on the basis of one amalgamated company common share for each common share of Energy and to Petroleum's shareholders on the basis of three amalgamated company shares for each common share of Petroleum. Immediately following the amalgamation, the shareholders of Energy held 38% and the shareholders of Petroleum held 62% of the amalgamated company's common shares. Certain of the shareholders of Energy were also shareholders of Petroleum. Holders of Energy options to purchase common shares received options to purchase common shares of the amalgamated company based on the above exchange ratio. The amalgamation has been accounted for on the pooling of interest basis. Based on this method of accounting for business combinations, the assets and liabilities of the entities are combined at their original carrying values, and operations are presented as if the entities had been combined since inception.

Summarized financial information for each company at the date of amalgamation and for the year ended December 31, 1994 is as follows:

	Energy $	Petroleum $
Total assets	3,404,012	4,057,771
Total liabilities	265,066	1,779,751
Net assets	3,138,946	2,278,020
Revenue	811,176	968,177
Net earnings	119,068	305,358

The figures presented in these financial statements therefore comprise Energy and Petroleum combined as if they were one entity.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles, and reflect the following policies:

Oil and gas properties and equipment

(a) Capitalized costs

The Corporation follows the full-cost method of accounting for petroleum and natural gas properties whereby all costs relating to acquisition of, exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenditures, lease rentals on non-producing properties, costs of drilling productive and non-productive wells, well equipment costs, and certain overhead expenditures related to exploration and development activities. Proceeds from disposal of properties are normally applied as a reduction of the cost of the remaining assets unless the disposal represents a significant disposition of reserves, in which case a gain or loss on disposal will be recorded in the statement of earnings and retained earnings.

(b) Depletion and depreciation

Depletion of oil and gas properties is provided using a unit-of-production method based on estimated proven reserves of oil and gas before royalties as determined by independent petroleum engineers. Units of natural gas have been converted into barrel of oil equivalents on a relative energy content basis at a ratio of six thousand cubic feet of gas to one barrel of oil.

Production equipment is recorded at cost and is depreciated, net of estimated residual value, using the unit-of-production method on the estimated useful life of reserves. Office equipment is depreciated using the declining balance method at rates varying from 20% to 100%.

(c) Future site restoration and abandonment costs

The estimated costs for future site restoration and abandonment costs are provided for on a unit of production basis. Estimates are based on costs and regulations in effect at year end. The provision of $22,653 (1993 - $2,555) for the year ended December 31, 1994 is included in depletion and depreciation expense.

(d) Ceiling test

The Corporation applies an annual ceiling test to capitalized costs, net of deferred income taxes, to ensure such costs do not exceed the estimated value of future net revenues from production of proven reserves plus the lower of cost and estimated fair value of undeveloped lands, less future general and administrative expenses, future site restoration and abandonment costs, financing costs and income taxes. The sales prices used for the ceiling test were the year end prices of $20.73 per barrel for oil and $1.48 per thousand cubic feet for natural gas. Any reduction in value as a result of the ceiling test is charged to operations.

3. PROPERTY AND EQUIPMENT

	1994 $	1993 $
Production equipment	**2,148,349**	395,206
Petroleum and natural gas properties	**3,990,925**	1,395,472
Furniture and equipment	**55,063**	7,350
	6,194,337	1,798,028
Less accumulated depletion and depreciation	**399,624**	39,690
	5,794,713	1,758,338

General and administrative expenses of $74,346 (1993 - nil) have been capitalized as petroleum and natural gas properties for the year ended December 31, 1994.

On August 31, 1993, the Corporation acquired an interest in an oil and gas property from Python Resources Ltd., a company owned by the President, in exchange for 301,000 common shares. The share issue amount and property have been recorded in the accounts using the continuity of interest method as both companies party to this transaction were under common control at that time. Consequently, the property has been recorded at the cost originally incurred by Python Resources Ltd., which was determined to be $13,241.

4. DEBENTURES PAYABLE

During May, 1994 the debentures were converted to 2,791,200 common shares based on the net asset value of the Petroleum common shares as at April 30, 1994. The $2,000,000 debentures were non-interest bearing, secured by a floating charge over the assets of Petroleum and convertible into shares of Petroleum at the discretion of either Petroleum or the debenture holders.

5. REVOLVING PRODUCTION LOAN FACILITY

The Corporation has available a revolving production loan facility to a maximum of $750,000 bearing interest at prime plus one and one half of one percent which is secured by a $1,000,000 demand debenture constituting a fixed charge on the Corporation's interests in specific properties and a floating charge on all other assets. The facility is subjected to an annual review. No amounts were drawn under the facility at December 31, 1994. Subsequently, the Corporation entered into a financing commitment to provide the Corporation with a revolving production loan to a maximum of $5,000,000 bearing interest at prime plus one half of one percent, secured by a $10,000,000 demand debenture constituting a floating charge on the Company's oil and gas properties.

6. DEFERRED INCOME TAXES

The provision for deferred income taxes is different from the amount computed by applying the combined statutory Canadian Federal and Provincial tax rates to earnings before income taxes. The reasons for these differences are as follows:

	1994 $	1993 $
Corporate income tax rate	**44.34%**	–
Computed expected provision for income taxes	**256,948**	–
Increase (decrease) in taxes resulting from:		
Non-deductible crown charges	**105,416**	–
Alberta Royalty Tax Credit	**(73,241)**	–
Resource allowance	**(80,328)**	–
Non-taxable portion of capital gain	**(8,696)**	–
Other	**3,889**	–
Deferred income taxes	**203,988**	–

The following deductions are available for future income tax purposes:

	$	Annual Rate of Claim
Canadian exploration expense	914,752	100%
Canadian development expense	987,639	30%
Canadian oil and gas property expense	1,428,874	10%
Undepreciated capital cost	1,876,753	20 - 100%
Share offering expenses	182,210	5 years
Amalgamation expenses	80,212	7%
Non-capital loss carryforward	178,512	100%
	5,648,952	

The non-capital losses expire between 1999 and 2001.

7. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares
Unlimited number of Class A preferred shares
Unlimited number of Class B preferred shares

(b) Issued

	Number of Shares	Amount $
Shares issued for cash	3,104,000	27,000
Shares issued for acquisition of oil and gas property (Note 3)	301,000	13,241
Shares issued from initial public offering, net of costs	3,000,000	2,747,023
Balance, December 31, 1993	6,405,000	2,787,264
Shares issued on conversion of debentures, net of costs	2,791,200	1,988,868
Shares issued pursuant to stock option plan	147,000	147,000
Amalgamation costs	–	(76,158)
Tax effect of share issue costs previously not recognized	–	112,170
Balance, December 31, 1994	9,343,200	4,959,144

(c) Stock option plan

On September 9, 1993, the directors and shareholders of the Corporation authorized a stock option plan for directors, officers, key employees and consultants of the Corporation to purchase common shares. The shares can be purchased at exercise prices equal to the market price on the date the option is granted. Stock options issued and outstanding are as follows:

	Number	Exercise Price $
Granted	327,000	1.00
Balance, December 31, 1993	327,000	
Granted	39,000	2.30
Exercised	(147,000)	1.00
Balance, December 31, 1994	219,000	

These stock options expire on various dates starting September 9, 1997 to June 23, 1999.

(d) Escrow agreement

Pursuant to an escrow agreement dated as of October 8, 1993, an aggregate of 405,000 common shares are being held in escrow. Fifteen percent of the escrowed shares (60,750) may be released upon application by the Corporation as a result of the successful completion of the initial public offering. The balance of the escrowed shares may be released on a pro rata basis as to 25% upon expenditure of the proceeds from the offering and 15% at the end of each of the second, third, fourth, and fifth years.

Pursuant to an escrow agreement dated as of December 31, 1994, an aggregate of 2,438,406 common shares are being held in escrow. One third of these escrowed shares will be released from escrow on each of June 30, 1995, December 31, 1995 and June 30, 1996.

8. EARNINGS AND CASH FLOW PER SHARE

	1994	1993
Net earnings attributable to common shares ($)	**375,506**	6,155
Per share ($)	**0.05**	–
Per share fully diluted ($)	**0.04**	–
Cash flow from operations ($)	**962,081**	45,732
Per share ($)	**0.12**	0.01
Per share fully diluted ($)	**0.11**	0.01
Weighted average number of common shares outstanding		
Basic	**8,339,014**	4,417,924
Fully diluted	**8,626,061**	7,303,660

Options under the stock option plan are assumed to have been exercised at the beginning of the year, and the funds received earned an after-tax yield of 3% per annum.

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

From left to right;

Barry J. Wasyliw

Timothy T. Hunt

Darren A. Steffes

Mary J. Chandler

Officers and Senior Personnel

Timothy T. Hunt
President, Chief Executive Officer,
and Chief Financial Officer

Darren A. Steffes
Exploration Manager

Barry J. Wasyliw
Operations Manager

Mary J. Chandler
Controller

Jeffrey E. Dyck
Secretary

Corporate Information

Board of Directors

Timothy T. Hunt
President, Chief Executive Officer,
and Chief Financial Officer
Calgary, Alberta

John J. Dietrich
President, Concrest Corporation Ltd.
Calgary, Alberta

Brian D. Heald
President, Oracle Energy Inc.
Calgary, Alberta

Tom Kusumoto
President, Plains Perforating Ltd.
Calgary, Alberta

Derek Martin
Vice President, Corporate,
Enserv Corporation
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Exchange Listing

The Alberta Stock Exchange
Stock Symbol: PSN

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